

The Community Resource Kit

Guidance for people setting up and running community organisations



Section 7

Financial management

THE COMMUNITY RESOURCE KIT

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Introduction

Financial management is managing money received or spent. Doing it well is essential to any community group's survival. Financial management has three basic parts to it:

1. planning (on how to raise and spend money)
2. record-keeping
3. reporting.

This section covers these three aspects of financial management and provides guidance and samples of financial documents for organisations using either a computer accounting package or a cash book accounting system (using either a manual or computer spreadsheet). In addition to financial management, the section also covers tax matters and details on the requirements for filing annual returns and financial statements.

Policies and procedures

In managing your organisation's finances, you should have some set policies and procedures that must be followed when it comes to looking after money. This will make it easier to keep track of the money that comes into the organisation and how it is spent.

Some areas to cover in your policies and procedures include:

Cash receipting:

- writing receipts for cash received – such as donations, membership fees, etc.
- banking all money received (i.e. don't use it to pay for costs)
- banking cash as soon as possible after it is received.

Making payments:

- pay for all purchases and expenses (except for small, petty cash items) by cheque, direct credit, or Internet banking so there is a record of the transaction
- have a system for approving payments
- only pay a bill when an invoice has been received
- have designated cheque signatories and two signatures on every cheque (or two authorising codes for internet banking)
- have a system for filing invoices
- have a petty cash system for small payments – with procedures to balance and reimburse it.

Tip: For more information on financial policies and controls for your group, visit the New Zealand Institute of Chartered Accountants website: http://www.nzica.com/AM/Template.cfm?Section=Sector_Issues4 .

Uses of financial information

Financial information can be used by management, workers, Inland Revenue, the Charities Commission, funding agencies and the general public. It is used to assess:

- the organisation's financial position
- the organisation's performance
- that the finances are being used to meet the organisation's objectives
- that results are cost-effective
- all legal requirements are being met
- the extent to which planning for the future is being undertaken.

Key financial terms

Four key terms used in financial reports are:

- **assets** – what the business owns or monies due to it e.g. cash, equipment, accounts receivable, inventory
- **liabilities** – what the business owes e.g. bank overdraft, creditors, loans, staff leave not yet taken
- **expenses** – the costs incurred by running your business e.g. wages, rent, phones
- **revenue or income** – what you earn e.g. grants, membership subs.

For more financial terms please see the glossary.

Acknowledgements

The three main sources of information for this section were: Financial Training for Not-For-Profit Community Groups developed for the Auckland Council; training supplied to not-for-profit groups by the Community Accounts Mentoring Service (CAMS); Inland Revenue and Charities Commission material.

Please note: the information in this section is not intended to take the place of legal advice. Laws can change regularly. The authors of this publication take no responsibility for the results of any action taken on the basis of information contained in this section or for any errors or omissions. Readers should talk to a lawyer or contact their local Community Law Centre (<http://www.communitylaw.org.nz/>) for further legal advice.

Financial planning

Financial plan

A financial plan shows what your total expenditure is likely to be and when money will be needed. A financial plan may include a:

- **budget** – forecasting income and expenditure for the next 12 or more months
- **cash flow forecast** – a monthly breakdown of money coming in and going out (receipts and payments), including the opening and closing bank account balances.

Budget

A budget can be prepared in a spreadsheet, either electronically or manually. The treasurer usually has the key role in preparing the budget, but he or she will need to work closely with the other members of the organisation. Once the budget has been approved, it should be added to your accounting system to ensure the organisation can compare it against actual income and expenses. If you use a cash book accounting system (either a computer spreadsheet or a manual cash book), it is still important to compare the actual financial performance with the budget – see *Monthly reporting* later in this section.

To prepare a budget:

- start with your actual income and expenditure from the previous year (or two years if this is available) – new groups will have to start with their best guess of what to expect
- add your likely payments and potential income for the coming year
- adjust and modify until you have a realistic and reasonable budget
- get the budget approved by your management committee or governing body.

Tip: You may want to start with your planned expenses to calculate the total cost. You can then focus on what income and funding you'll need to cover that total cost.

Cash flow forecast

It is important to do some cash flow forecasting throughout the year so you can predict when there may be increases and decreases in your income. Planning your activities around these fluctuations will help ensure that you can meet monthly fixed costs (e.g. wages) when your income is not coming in regularly. By cash flow forecasting, you can also maximise interest earnings from investments by investing your money until it is required to pay for something.

To prepare a cash flow forecast:

- use the budget (prepared above) and break it down month by month
- add in an opening bank balance and calculate a closing balance.

Tip: For more information on budgeting and cash flow forecasting, see the Canterbury Not-For-Profit Forum's *Business Plan Guidelines for Community Groups*: <http://groups.google.com/group/cantyforum/web/business-planning-for-not-for-profit-organisations> .

Financial record-keeping

Treasurer's roles and responsibilities

The treasurer is the person on the board or committee who takes overall responsibility for the financial management of an organisation on behalf of its governing body. The amount of work involved for the treasurer will depend on the size and type of organisation, and on whether there is a staff member – such as a financial administrator – who can carry out some of the tasks.

Checklist of treasurer's overall duties

The treasurer carries out the following duties:

- sets up and oversees bank accounts on behalf of the organisation (most organisations have a cheque account, a savings account, and term deposits)
- ensures money received is receipted and banked promptly
- invoices anyone who has purchased goods or services (rentals, use of equipment, membership fees etc) from the organisation
- make payments as required (see *Checklist for making payments* for more details)
- signs cheques on behalf of the organisation (at least one other person should co-sign the cheques)
- maintains accurate records of income and expenditure
- files GST and tax returns
- keeps an accurate wages book and makes PAYE payments as required (where there are paid employees)
- prepares annual budgets for the forthcoming year
- manages a cash flow record and also the organisation's investments e.g. term deposits and property management (in association with the committee)

- maintains an appropriate accountability system for grants received
- prepares and presents monthly financial reports for management meetings
- prepares accounts for auditing and provides information for the auditor as required
- prepares and presents the Annual Financial Report to the Annual General Meeting/Hui-ā-Tau.

To help perform these duties, the treasurer should have:

- a copy of the group's constitution (or rules)
- copies of previous annual financial accounts
- had a discussion with their predecessor to obtain any relevant information or advice
- had a discussion with the group's auditor (if there is one) on any issues that may need to be addressed in the operation of the group arising from the last audit and find out what's likely to be needed for the next audit (if the accounts are audited).

Checklist for making payments

When making payments, the treasurer should make sure that:

- all payments are made by cheque, direct debit or Internet transaction – the exception is for small items paid out of petty cash
- payments are on time
- there is a GST tax invoice before making payment – it's easier to get the supplier to issue a correct invoice if they haven't yet received the payment (see the sample of a GST tax invoice)
- all invoices are checked for accuracy before making payment – also check that the goods or services have been received (tick off items listed on the packing slip/invoice) and that they are satisfactory
- volunteers' out-of-pocket expenses are always paid promptly
- there are two cheque signatories and/or two authorising codes for Internet banking payments – this should be expressly included in the organisation's constitution
- invoices are filed in orderly way, either by cheque number or date of payment.

Tip: In small community organisations, the treasurer should prepare a list of payments made during the previous month and present them to the regular committee/board meeting for approval. If possible, the treasurer should also get future payments/cheques approved at the meeting. Larger organisations will have established systems for controlling payments, often handled by a paid staff member.

Financial records

Many of the major problems for organisations arise from poor record-keeping of financial transactions. The treasurer must be able to provide documentary evidence of every transaction made in order to prove the validity of his or her records and, if an audit is required, to satisfy the auditor.

The treasurer (and/or financial administrator) is responsible for maintaining the following records (dealt with in more detail below):

- subs or membership register (in the case of clubs)
- receipt book for monies received

- a file for keeping your income invoices and paid accounts
- petty cash book
- an accounting system (preferably a computerised package e.g. MYOB) to account for all transactions.

Tip: Having a computerised accounting system can make things a lot easier, though it may not be possible for all organisations. You can use a cash book accounting system to keep track of your finances, either using a computer spreadsheet (e.g. Microsoft Excel) or a manual multi-column cash book (see later).

The treasurer (and/or financial administrator) is also responsible for maintaining the following (which are dealt with in this section or other parts of this kit, as indicated):

- financial statements i.e. statement of financial performance (profit and loss) and statement of financial position (balance sheet) – see *Financial reporting*
- budgets – see *Financial planning*
- PAYE returns – see *Tax matters*
- GST returns and calculations – see *Tax matters*
- funding applications – see *Section 9 – Raising funds*.

Receipt book

When cash is received, a receipt must be issued to the payer recording:

- the date
- name of payer
- amount received
- what the money is for (e.g. subscription, donation etc).

Tip: People making a donation to your group of \$5 or more can claim this as a tax deduction if:

- your group is registered with Inland Revenue as a donee organisation and
- you have provided them with a receipt for the donation to include with their tax return.

Filing income invoices and paid accounts

- file all income invoices in date order
- write the cheque/payment number and date on all paid accounts and file in number order
- consider keeping a separate file for all Inland Revenue returns and statements (GST and PAYE).

Petty cash book

Petty cash is used to pay for small, miscellaneous items such as milk, pens, stamps or local travel expenses. Though they may seem small, petty cash expenses need to be recorded. Your group should set up a petty cash book (see later sample) and have a designated place to keep the money, e.g. a petty cash tin or purse.

Petty cash checklist

To start using your petty cash system:

- withdraw cash (or write out a cheque for cash), recording it as 'petty cash'
- keep petty cash in a separate secure place
- make sure you receive a receipt for each petty cash purchase

- record the purchase, with the type of expense, in a petty cash book (see sample)
- keep a running reconciled balance
- when your petty cash gets low, make another cash withdrawal to bring it back up to the original amount.

Other things to remember are:

- The withdrawal to start the petty cash system is not an 'expense' – it cannot be claimed for income tax and GST – it is just to open the petty cash book. This would be coded to your petty cash asset in the statement of financial position.
- The reimbursements will be for the amount spent and therefore will be coded accordingly and any GST claimed.
- The petty cash book should be balanced at regular intervals. The balance in the petty cash will be the previous balance, plus any reimbursements, minus the receipts as listed.
- Reimbursements from petty cash are subject to audit along with the organisation's other financial systems.
- Any cash received by the group should be banked and not put into the petty cash.

Sample petty cash book

XYZ Community Group Inc Petty Cash book

Date	Details	In	Out	Balance
01/01/10	Opening balance		\$50.00	
07/02/10	Postshop – stamps		\$13.50	\$36.50
07/02/10	Stationery		\$8.80	\$27.70
14/02/10	Tea/milk		\$6.60	\$21.10
21/02/10	Postage		\$6.50	\$14.60
21/02/10	Milk, biscuits		\$6.40	\$8.20
28/02/10	Cheque 123	\$41.80		\$50.00

Computerised accounting systems

As mentioned earlier, a computerised accounting system is the best option for most organisations as it will allow you to manage your finances accurately and efficiently, and it will also make financial reporting and planning easier.

There are many computerised accounting packages on the market, so you should be able to find one to suit the needs of your organisation. Choosing the right one is important and your group should do some research before you make the decision. Ask computer experts and sales people, and also check around to see what friends or colleagues in other organisations are using.

Checklist for a computerised accounting system

Features you need to consider are:

- can the system calculate GST and allow you to allocate GST by individual transactions?
- can it track funding or project spending?
- can you produce a full set of financial accounts (profit and loss and balance sheet)?
- are you able to process journal entries (adjustments other than banking)?

- is the system secure and user-friendly? (you can usually get a free trial package before you buy)

Chart of accounts

Once you have chosen your accounting package and installed it, you should set up your chart of accounts. This is a list of all types of income, expenditure, assets, liabilities and equity (see the following sample).

Spend some time considering who will require information from you and what sort of information they will require. This will help you decide how detailed your chart of accounts needs to be. For example, a manager may need to know how much is spent on mobile phones versus landline phones. In that case, you would have two categories for telephone in your chart of accounts, whereas an organisation that does not need that level of information would only have one category for telephone accounts.

Sample chart of accounts

XYZ Community Group Inc.			
1-0000	Assets		
	1-1000	Current Assets	
		1-1110	Cheque Account
		1-1120	Savings Account
		1-1130	Term Investment
		1-1140	Petty Cash
		1-1200	Accounts Receivable
	1-2000	Other Assets	
		1-2100	Prepayments
		1-2200	Deposits Paid
	1-3000	Fixed Assets	
		1-3110	Office Equipment at Cost
		1-3120	Office Equipment Accum Dep'n
		1-3200	Computer Equipment at cost
		1-3210	Computer Equipment Accum Dep'n
2-0000	Liabilities		
	2-1000	Current Liabilities	
		2-1000	Accounts Payable
		2-1100	Unspent Grants
		2-1300	GST
			2-1310 GST Collected
			2-1320 GST Output Tax Adjustment
			2-1330 GST Paid
3-0000	Equity		
		3-1000	Opening Retained Earnings
		3-9000	Current Year Earnings
		3-9999	Historical Balancing
4-0000	Income		
	4-1000	Grants	
		4-1100 Council Funding	
		4-1200 Lotteries	

4-2000	Contracts	
	4-2100 Child Youth and Family	
	4-2200 FACS	
4-3000	Fundraising Income	
4-3100	Market Day Income	
4-4000	Subscriptions Received	
4-5000	Interest Received	
4-6000	Other Funding	
5-0000	Expenses	
5-1000	ACC Levy	
5-1200	Audit Fees	
5-1300	Advertising	
5-1400	Bank Charges	
5-1500	Cleaning	
5-1600	Depreciation	
5-1700	Electricity	
5-1800	Fundraising Expenses	
	5-1820 Market Day Expenses	
5-1900	Insurance	
5-2000	Office Supplies	
5-2100	Rent	
5-2200	Subscriptions	
5-2300	Telephone	
5-2400	Travel	
5-2500	Volunteer Expenses	
5-2600	Wages & Salaries	

Opening balances

If this is your first financial year you will have no opening balances to begin with. However, if you are changing to a new accounting system you will need to enter the opening balances from last year's balance sheet (i.e. last financial year's closing balances will become this year's opening balances).

Names file

Most accounting systems will require you to set up a name or card file for each person or organisation you have transactions with. Some systems allow you to add in contact details and notes, etc, which you may want to consider if this information is not recorded elsewhere.

Processing transactions

Most accounting systems work in the following two ways:

1. Processing your transactions direct from the bank statements as money in and money out.
2. Entering in invoices to be paid and then processing the payment against the outstanding invoice (and vice versa for income).

The first option is quicker as each transaction is only handled once. However, the second option allows you to know how much money is outstanding and how much money is owed to you (creditors and debtors). You need to consider what is useful for your organisation compared with the extra administration time it takes.

GST processing

Most accounting systems will ask you to allocate GST (Goods and Services Tax) on each transaction. Some account codes will have a default GST code set up. The code should still be checked before recording. It is also important to check the tax invoice at the time you are entering the information into the system to see if it is a GST tax invoice or not (see sample on the next page).

Sample GST invoice

Example: Tax invoice for supplies worth more than \$1000.

ABC ELECTRONICS
 Main Street WELLINGTON PO Box 99 999 WELLINGTON Phone: (04) 999 9999 Fax: (04) 999 8889

TAX INVOICE

To: Wyatt Firsound
 712 John Street
 WELLINGTON

GST number: 98-765-432
 Date: 08 March 2004

Quantity	Description of goods and services	Unit price	Total
4	Video camera	\$1,200	\$4,800
Plus goods and services tax			\$600
Total amount due			\$5,400

Annotations and labels on the right side of the invoice:

- Name and address of the supplier
- The words "tax invoice"
- Supplier's GST registration number
- Date of issue
- Name and address of the recipient
- Description of the goods and services supplied
- Amount, excluding tax, charged for the supply
- Quantity of the goods supplied
- GST charged
- Total amount payable

Tip: It is important to check the GST status of any grants you receive. Some will have GST added while others will be exempt as they are donations. If you have any doubts, ring your funder to clarify.

Bank reconciliation

It is important to reconcile your bank accounts at least monthly (see sample below). Most systems will have a separate function to reconcile the banking. Once this is completed, you can print off a bank reconciliation report to keep with the bank statements.

Sample monthly bank reconciliation

XYZ Community Group Inc.

Bank Reconciliation for the Month Ended 28 February 2010

Opening cash book balance as at 1 Feb 2010		\$ 550.00
ADD total receipts for the month		\$ 4131.20
		\$ 4681.20
DEDUCT total payments for the month		\$ 402.20
CASH BOOK BALANCE AS AT 28 FEB 2010	(A)	\$ 4279.00
Balance as per bank statement as at 28 Feb 2010		\$ 320.80
DEDUCT unrepresented cheques	\$	
No 123	\$ 41.80	
	\$	\$ 41.80
		\$ 279.00
ADD outstanding deposits	\$	\$ 4000.00
	\$	
ADJUSTED BANK BALANCE AS AT 28 FEB 2010	(B)	\$ 4279.00

To be reconciled **(A)** must equal **(B)**

Note: If the bank account and the cash book are in overdraft, the above instructions are changed as follows: **ADD** becomes **DEDUCT** and **DEDUCT** becomes **ADD**.

Cash book accounting system

While a computerised system makes financial recording and reporting easy, a cash book accounting system will work perfectly well for small community groups (especially ones that are not GST-registered).

A cash book is a spreadsheet, either in a multi-column book or a computer file (see sample on following page). It records all financial transactions, keeps you financially up-to-date, and allows you to keep control over your finances. The cash book keeps track of receipts and payments. It tells you:

- your current bank balance
- how much money has been paid into the bank
- where the money came from
- what cheques have been paid out, to whom and for what
- the total for the month or year for specific purposes e.g. rent
- the total for the month or year for all income and expenses.

Cash book checklist

To operate a cash book:

- use a cash book with as many columns as you think you will need – in a manual system, a 16-column book is best
- start each month on a new page (or spreadsheet)
- use the income and receipt columns that are most relevant to your organisation
- where possible, have separate columns for expenses that occur frequently
- make sure you write (or enter) the cheque number or transaction code in the cash book – this makes it easier to reconcile with the bank statement
- if you are GST-registered, set up separate columns for GST paid and received (manual cash books are more appropriate for smaller groups that are not GST-registered)
- when you receive your bank statement, enter any automatic payments, bank fees or other items that appear on the bank statement
- add all the columns up at the end of the month and make sure the total of the 'income' columns equals 'receipts' and the total of the 'expenditure' columns equals 'payments'.

Sample cash book

This example is of a small community group (XYZ Community Group Inc) that is not registered for GST and has no paid staff. The group is using a manual cash book accounting system but the same methods can be applied to a computer spreadsheet.

XYZ Community Group Inc
Receipts and Payments for the month of February 2006

Date	Expenditure/Income	Cheque/ Receipt No.	Banking	Payments	Balance	Income			Expenditure									
						Donations	Grants	Other	Rent	Power	Volunteer costs	Office supplies	Phone	Other				
2006	Balance brought forward				550.00													
7/02/06	H Waru – mileage	120		12.40	537.60								12.40					
7/02/06	Powerco	121		45.00	492.60						45.00							
7/02/06	Telecom	122		100.00	392.60													100.00
15/02/06	J Smith	r/555			492.60	100.00												
18/02/06		r/556		125.00	517.60	25.00												
20/02/06	Lottery grant	r/557	4,000.00		4,517.60		4,000.00											
28/02/06	Petty Cash Reimbursement	123		41.80	4,475.80													20.00
28/02/06	Interest	b/s	6.20		4,482.00							6.20						
15/02/06	Bank fees	b/s		3.00	4,479.00													\$3
25/02/06	Rent	a/p		200.00	4,279.00				200.00									
Total	Total for month	4,131.20		402.20		125.00	4,000.00	6.20	200.00	45.00	12.40	21.80	100.00	23.00				
Add last month ytd		4,760.35	5,390.75		1,452.00	3,000.00	308.35	2,000.00	380	960	424	875	751.75					
Total year to date		8,891.55	5,792.95		1,577.00	7,000.00	314.55	2,200.00	425.00	972.40	445.80	975.00	774.75					

Tip: Balancing the cash book will double-check your figures. The 'expenditure' columns should add up to the 'payments' column and the 'income' columns should add up to the 'receipts' column.

Financial reporting

Monthly reporting

Financial reports

On a monthly basis, the treasurer should prepare the following two reports for his or her management committee or board (governing body):

- statement of financial performance (profit and loss) showing income and expenditure
- statement of financial position (balance sheet) showing assets, liabilities and equity.

These reports are for the month, but it is important to review the year-to-date position at the same time. In preparing these reports you should ensure that all the balances in the statement of financial position are correct (e.g. all bank accounts reconcile, unspent grant balances are correct, etc). Some balances will not be confirmed every month, e.g. fixed assets might be reconciled yearly. Check that these balances look reasonable, then review the transactions in the statement of financial performance. Most accounting systems allow you to easily go back to view and check the coding of each transaction.

The statement of financial performance is best reviewed against the budget figures. Any significant difference between actual figures and the budget should be looked into. If there are discrepancies, it will be useful to add a commentary to the report so these matters can be addressed by the governing body.

A sample monthly financial report, typical of a small community organisation, is shown below:

Sample monthly financial report

XYZ Community Group Inc

Monthly Financial Report for the Month of February 2010

Annual Budget		Month (Feb)	Year to Date
	Receipts:		
8000	Grants	4000.00	7000.00
1800	Donations	125.00	1577.00
200	Other	6.20	314.55
10,000	Total Receipts	4131.20	8891.55
	Payments:		
2400	Rent	200.00	2200.00
500	Power	45.00	425.00
1000	Phone	100.00	975.00
500	Office Supplies	21.80	445.80
2400	Volunteer Expenses	12.40	972.40
2000	Computer		350.00
300	Postage/email	20.00	
200	Audit		
500	Other/misc.	3.00	424.75
9,800	Total Payments	402.20	5792.95
200	Surplus/(deficit)	3729.00	3078.60
800	Add opening balance	550.00	800.40
1000	Cash book balance 28 Feb 2006	4279.00	4279.00
2000	ADD: Savings/Deposit a/c	2000	
	DEDUCT: Unspent Grants: (Lottery Grant)	4000.00	
3000	Available Funds	2279.00	

Other reports

Other monthly reports may need to be generated depending on the organisation and the level of detail the management committee or board require, e.g. some may require a breakdown of grants received or details on a particular project, etc. Most accounting systems should be able to accommodate different requests and therefore it is important to get reports set up so the least amount of manual reporting is required.

Keeping track of grants

Strict accountability is demanded of any organisation that receives a grant. Once again, you can set up a computerised accounting system to keep track of grants received and the expenditure against them (see the following samples). It is better to use your accounting system to track grants as the money is spent, rather than having to go back and account for it when the report is due.

With a computerised accounting system:

- most systems have a project or job number that can be set up for each grant
- when the grant is received and processed, you add that job number to the transaction and, as the money is spent, you can add the same job number to the expense transactions
- at any time you should be able to print a report to show how much of the grant has been spent, however, the person who is entering the data needs to know which grant the expenditure is coming from
- some organisations use a stamp or cover sheet for invoices that include the job number on them so it can be properly entered
- some organisations choose to code all grants to the liabilities as 'unspent grants'. Then each month they print off the job report to see how much was spent. They then transfer the amount spent out of 'unspent grants in liabilities' and into their income. This helps give a more accurate statement of financial performance.

Tip: Remember to check each grant to see if it has GST added or is exempt (e.g. in the case of a donation). See the Inland Revenue booklet *Grants and subsidies IR249*.

Sample grants register

XYZ Community Group Inc

Grantee	Purpose	Opening Balance	Grants Received	Spent	Balance Unspent
Lottery (1)	Wage subsidy	4000		4000	
COGS (1)	Admin costs	2000		2000	
Council	Youth programme		4000	3500	500
MSD	Parent programme		5000	5000	
Community Trust	Computer equipment		4000	4000	
JR McKenzie	Newsletter/publicity		2000	1700	300
Lottery (2)	Wages		10000	6200	3800
COGS (2)	Admin		3000	2000	1000
Total		6000	28000	28400	5600

Sample schedules of expenditure against grants (tracking)

Example 1

Date	Details	Category	Cheque # receipt #	Receipts	Payments	Balance	GOGS grant balance	Council grant balance
1/03/2009	Balance brought forward					\$4,000.00	\$3,000.00	\$1,000.00
3/02/2009	Telecom	Phone	Chq100		\$1,000.00	\$3,000.00	\$1,000.00	
1/04/2009	Harcourts	Rent	Chq101		\$1,000.00	\$2,000.00		\$1,000.00
15/04/2009	Warehouse	Stationery	Chq102		\$1,000.00	\$1,000.00	\$1,000.00	
5/05/2009	BP	Travel/Mileage	Chq103		\$1,000.00	-	\$1,000.00	
6/05/2009	Balance brought forward					-	-	-

Example 2

Expense codes	Total	COGS Auckland (or state grant number)	COGS Auckland (or state grant number)	Pub Charity	Postage Trust	Lotteries	Jr Mckenzie	Southern Trust
Income								
Donations	-							
Untagged donations	-							
Grants	\$80,000.00	\$5,000.00	\$10,000.00	\$10,000.00	\$25,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Interest Earned	-							
Subscriptions	-							
Total Income	\$80,000.00	\$5,000.00	\$10,000.00	\$10,000.00	\$25,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Expenses								
Administration	\$3,000.00	\$1,000.00						
Field Worker Salary (or name employee)	\$14,000.00	\$2,000.00	\$2,000.00			\$10,000.00	\$2,000.00	
Internet	\$2,000.00	\$1,000.00		\$1,000.00				
Mileage	\$4,000.00		\$2,000.00					\$2,000.00
Photocopying	\$400.00		\$400.00					
Rent	\$10,000.00	\$1,000.00		\$9,000.00				
Social Worker Salary (or name employee)	\$33,600.00		\$5,600.00		\$25,000.00			\$3,000.00
Telephone	-							
Volunteer expenses	\$13,000.00						\$8,000.00	\$5,000.00
Total Expenses	\$80,000.00	\$5,000.00	\$10,000.00	\$10,000.00	\$25,000.00	\$10,000.00	\$10,000.00	\$10,000.00

Please note this spreadsheet must be supported with individual transaction level documentation for all grants received, as auditors may ask for this.

Year-end financial statements

The year-end process

Once you have completed your normal monthly processing and reconciliations, you are ready to move on to the year-end process. During this process you are ensuring that all income and expenses for your financial year have been accounted for (regardless of whether you have paid or received money for them). You are also ensuring that both the statements of financial performance and position give a true and fair view of the financial year.

Tip: The checklist below will give you guidelines on what needs to be done in the year-end process. This checklist can be used as both an internal record of what has been processed and can be useful to give to your auditor.

Year-end checklist

NB: This checklist is intended as a guide only

Organisation's name _____
Year ended _____

Question	Comments
General	
Have all the bank accounts been reconciled?	
Have all investments balances been reconciled?	
Have all loans balances been reconciled?	
Have all debtors and creditors been accounted for (copies of invoices made for auditor)?	
Have all comparatives for income and expenditure been made and accounted for significant changes?	
Are tax returns required to be filed, if yes, have they been filed?	
Has the petty cash been reconciled?	
Has the opening retained earning been checked against last year's closing retained earnings?	
Has the current year's surplus/deficit transferred correctly from the profit and loss statement to the equity in the balance sheet?	
Does the balance sheet balance?	

Income	
<p>Has all interest received been recorded?</p> <p>Are you exempt from resident withholding tax (RWT)? If not, can you apply for an exemption?</p> <p>Have any unusual types of income been received (e.g. insurance)?</p> <p>Have all grants been accounted for?</p> <p>Have all unspent grants been calculated and accounted for?</p> <p>Have all outstanding fees been accounted for?</p> <p>Have all bad debts been accounted for?</p>	
Expenditure	
<p>Has the full year ACC levy been recorded?</p> <p>Has entertainment expenditure been recorded (does the 50% deductible rule apply i.e. do you pay tax)?</p> <p>Have all legal and professional fees been checked for deductibility (e.g. non-deductible if relates to capital expenditure)?</p> <p>Have all repairs and maintenance been checked for any capital items (e.g. over \$200)?</p> <p>Have all depreciation rates been checked?</p> <p>Have all new assets been added correctly and the correct pro-rata amount of depreciation claimed (i.e. claimed from month purchased) – include a copy of any assets purchased for auditor?</p> <p>Have any assets been sold or scrapped this year, if so have they been corrected accounted for in balance sheet and for depreciation (i.e. no depreciation in year of sale)? Is there any loss or profit on sale?</p> <p>Are there any private adjustments needed in respect of assets/depreciation?</p> <p>Has a full year's insurance been accounted for?</p> <p>Have 12 payments for power, phone and rent been accounted for?</p>	

GST	
<p>Is the group registered for GST?</p> <p>If not registered, has the gross turnover exceeded the \$60,000 (compulsory level)?</p> <p>If registered is it a voluntary registration?</p> <p>Has the correct basis of GST been used (e.g. payments or invoice)?</p> <p>Are all returns up-to-date and accounted for to Inland Revenue?</p> <p>Has GST been paid on all fringe benefits other than GST exempt ones?</p> <p>Has the GST on the non-deductible portion of entertainment been adjusted for?</p> <p>Has the correct amount of GST been accounted for in the balance sheet?</p>	
Wages and PAYE	
<p>Have all allowances been checked as to whether or not PAYE was required to be deducted?</p> <p>Has the status of any independent contractor been checked to ensure that the person is not in fact an employee subject to PAYE?</p> <p>Do the wages reconcile with the total reported to Inland Revenue and wage book, and to the ACC calculation?</p> <p>Has the relevant tax been deducted from those contractors that fall within the schedular payments regulations?</p> <p>If no tax on schedular payments has been deducted from contractors, has a certificate of exemption been sighted?</p>	
Other	
<p>Have you reconciled all items on the balance sheet?</p> <p>Have you reviewed all income and expense coding?</p> <p>Have any notified bequests been recorded?</p> <p>Are all minutes up to date, signed and ready to give to the auditor?</p> <p>Is a copy of your constitution available, in case the auditor requests it?</p> <p>Is your organisation liable for any fringe benefit tax (FBT)?</p>	

Reports Required	
Statement of financial position (balance sheet).	
Statement of financial performance (profit and loss).	
Statement of movements in equity (maybe incorporated in balance sheet).	
Notes to the accounts.	
General ledger.	
Trial balance.	
Checked by:	
Signature:	
Date:	

Annual financial accounts

Every organisation should produce financial accounts each year. Often these will be for the year from 1 July to 30 June (in line with the Government's financial year).

The annual financial accounts you will need to produce are:

- **Statement of financial performance** (profit and loss) – this shows the revenue and expenses of the organisation over a certain period of time. If you subtract the expenses from the revenue you get the 'net profit' or 'net loss' at the bottom of the statement. Sometimes organisations carry a net loss over a period of time (e.g. when waiting for a large grant to come in) but any risks associated with this should be noted.
- **Statement of financial position** (balance sheet) – this lists all the assets and liabilities at a certain point in time. The basic rule is that the total assets should equal the total liabilities. You should be sure that, if you wound up operations tomorrow, you wouldn't be left with any outstanding debts you couldn't pay. In this way a balance sheet is a good financial 'health check'.

Depending on the size of the group, the annual accounts may also include additional notes and schedules that explain aspects of the accounts in more detail.

Tip: The annual accounts are often prepared by the treasurer (or financial administrator), possibly with the help or advice from an accountant or the auditor. It is important that the rest of the committee or board also understand what the accounts say. This may mean enrolling in a basic accounting course.

Auditing

Auditing is the process of independently reviewing and checking that the year-end financial statements present a true and fair view of the financial activities for that year. The requirement for an auditor will be determined by the rules (or constitution or trust deed) of your organisation. Some funding bodies may also require your financial statements to be audited.

Different levels of audit

There are several levels of audit and 'financial review' that might be appropriate for community groups:

1. Audit by a chartered accountant with a certificate of public practice. This is generally a full audit that can be quite expensive. Some funders require this level of audit, or it may be set out in your rules. In general, most smaller and medium community organisations will not need this degree of audit.
2. Audit by an accountant without a certificate of public practice e.g. a retired accountant or 'accounting technician'.
3. A 'review engagement' by a qualified accountant. This is less than a full audit, but provides a degree of independent assurance to the accounts.
4. 'Independent verification' by someone who is independent of the group and has a reasonable understanding of accounting, such as a bank manager. Some funders (such as the Lottery Grants Board or the Community Organisation Grants Scheme) require this for smaller groups.

If your rules or constitution don't specify the audit requirements, independent verification (audit level 4) will be sufficient for smaller community groups (i.e. less than \$60,000 total annual turnover). For community groups over this level (i.e. needing to be GST-registered and employing staff), it is preferable to get a 'review engagement' (audit level 3) or audit by an accountant (audit level 2). A full audit by a chartered accountant (audit level 1) is only recommended for larger organisations (this is generally beyond the scope of this kit).

Tip: For more information on auditing, visit the NZ Institute of Chartered Accountants website – http://www.nzica.com/AM/Template.cfm?Section=Audit_and_Assurance .

What your auditor will require

Your auditor will need the following (but note that this list is not exhaustive so check with your auditor):

- copy of your draft accounts – statement of financial performance, statement of financial position and notes to the accounts
- cash book in the case of a manual/spreadsheet-based system
- all invoices and receipts, bank statements
- all cheque, deposit and receipt books
- trial balance
- general ledger for all accounts for the whole year
- all work papers used in the preparation of the accounts
- all reconciliations of assets and liabilities
- fixed asset schedule.

Tip: Ensuring your auditor has a completed set of financial statements, with well recorded and filed data, will help minimise the audit cost.

Annual returns and financial statements

Registered with the Charities Commission

The Charities Act 2005 requires all registered charitable entities (organisations registered with the Charities Commission after 1 February 2007) to submit an annual return to the Charities Commission. That annual return will outline their charitable purpose and activities and provide basic financial data, such as an organisation's income, outgoings and net worth. This means:

- **Incorporated societies** that are registered with the Charities Commission have to file an annual return with the Charities Commission instead of filing an annual return and financial statements with the Registrar of Incorporated Societies.
- **Incorporated charitable trusts** and **unincorporated groups** that are registered with the Charities Commission have to file an annual return with the Charities Commission.
- **Companies and other groups (e.g. co-operatives)** that are registered with the Charities Commission have to file an annual return with the Charities Commission as well as filing any other annual returns (e.g. with the Companies Office).
- Annual returns can be filed online or on paper and they must be received by the Charities Commission within six months of the end of the charity's financial year.
- Accounts do not need to be audited for the Charities Commission. If your accounts are audited, you are asked to provide these. If your accounts are not audited, you are asked to provide your non-audited accounts.
- Failure to provide an annual return could lead to a charity's de-registration with the Charities Commission.

Tip: For further details on Charities Commission requirements visit: <http://www.charities.govt.nz>.

Not registered with the Charities Commission

Incorporated societies

Under the Incorporated Societies Act 1908, every incorporated society must file a certified copy of its annual financial statement with the Registrar of Incorporated Societies. The annual financial statement will include the income and expenditure of the society for the previous financial year and the assets and liabilities, mortgages and secured loans affecting the society's property as at the end of the financial year. The accounts do not need to be audited unless the rules of the society specify this.

Annual financial statements can be filed online at: <http://www.societies.govt.nz> or a paper form can be downloaded and filed.

Tip: Make sure you file an annual financial statement. Failure to do so may mean you are struck off the Incorporated Societies Register.

Charitable trusts

Trusts and societies registered under the Charitable Trusts Act 1957 that are NOT registered with the Charities Commission, do not have to file annual returns.

Tip: For more information on filing annual returns and financial reporting requirements, refer to:

- Societies and Trusts Online – <http://www.societies.govt.nz>
- Keeping it Legal – E Ai Ki Te Ture – <http://www.keepingitlegal.net.nz>
- New Zealand Institute of Chartered Accountants – http://www.nzica.com/AM/Template.cfm?Section=Not_for_Profit_Sector

Tax matters

Managing tax matters can be complicated and will be quite specific to different types of organisations. This section provides some basic tips on managing your tax responsibilities, but we strongly advise you to talk to an accountant or refer to the detailed information available from Inland Revenue's website: <http://www.ird.govt.nz> .

Checklist of tax responsibilities

Here are some of the basic tax responsibilities most groups will have:

- You'll need to get an Inland Revenue (IRD) number if you don't already have one.
- Unless you are exempt from income tax, you will need to:
 - complete an income tax return (the actual type varies depending on your legal structure)
 - pay income tax on your net income
 - pay resident withholding tax (RWT) on interest and dividends received
 - complete fringe benefit tax (FBT) returns and pay fringe benefit tax (if applicable)
 - possibly pay provisional tax during the year.
- Register for Goods and Services Tax (GST) if your income is over \$60,000. If you are GST-registered, you need to complete GST returns and pay GST to Inland Revenue.
- If you're an employer, you will have to deduct PAYE, and may need to deduct student loan repayments, child support payments and KiwiSaver, and pay all of these to Inland Revenue.

Tip: The New Zealand tax system relies on people meeting their tax responsibilities voluntarily but there are penalties if you don't comply. Contact Inland Revenue for more information.

Getting an Inland Revenue (IRD) number

Complete an IR596 form and send it to Inland Revenue, together with your certificate of incorporation or trust deed (for charitable trusts).

Tip: Contact Inland Revenue on freephone 0800 377 774 if you need further help.

Once you've been issued with an IRD number, remember to use it in all your dealings with Inland Revenue.

Income tax obligations

The following community organisations are liable for income tax on their taxable income:

- those operating without written rules or a constitution
- those operating under a set of rules or a constitution that does not meet the requirements for a specific exemption
- those non-profit bodies entitled to the \$1000 deduction but whose income is more than \$1000.

Tip: The correct tax return form to use depends on your type of organisation. Refer to Inland Revenue for the correct forms for your organisation. Note: most community groups that need to complete an income tax return will use an IR9 return (for clubs and societies).

Exemptions from income tax

There are a number of income tax exemptions that an organisation may be entitled to. To qualify, the organisation must meet the specific requirements of the particular exemption it is claiming.

The following organisations are allowed tax exemptions under income tax law:

- charities
- amateur game or sports promoters
- district improvement promoters
- friendly societies
- herd improvement promoters
- racing clubs
- scientific or industrial research promoters
- veterinary services promoters
- community trusts
- licensed non-casino gaming machine operators.

Unless a group gains an exemption from Inland Revenue, it may be liable for income tax on its earnings (i.e. the profit it makes). A deduction of up to \$1000 per year from an organisation's net income is available for some non-profit groups, which reduces the amount of tax they need to pay.

Tip: For more information on the various tax exemptions available to different types of organisations refer to IR255 Charitable organisations: a tax guide for charities, donee organisations and other groups, available from Inland Revenue's website (www.ird.govt.nz) or by calling them on 0800 377 774.

Resident withholding tax (RWT)

Money held in the bank or a financial institution is taxed on the interest it earns before payment. An organisation that is exempt from income tax is generally eligible for a certificate of exemption from RWT.

You need to complete an Application for exemption from resident withholding tax on interest and dividends (IR451) form and send it to Inland Revenue in order to obtain a certificate of exemption.

Tip: You can take a copy of your exemption certificate to the bank to make sure that they don't deduct tax. If RWT has been incorrectly deducted, then you can apply for a refund on an IR454 Resident Withholding Tax (Refund Request) form.

Employment-related tax obligations

Registering as an employer

As soon as you start employing people, you must register with Inland Revenue. If you know in advance that someone will start working for you, you can register before they actually begin work.

Tip: To register as an employer, fill in the Employer registration (IR334) form and send it to one of the addresses listed on that form. If you prefer, you can register online at: <http://www.ird.govt.nz>.

Deductions

As an employer, you must make deductions from payments you make to people who work for you and pay these deductions to Inland Revenue. The types of deductions you may need to make are:

- PAYE (pay as you earn)
- student loan and child support
- FBT (fringe benefit tax)
- KiwiSaver
- Payroll giving.

PAYE

PAYE (pay as you earn) is the basic tax you take out of your employees' wages whenever you pay them. PAYE includes the Accident Compensation Corporation (ACC) earners' levy.

Your employees must complete a tax code declaration (IR330) form as soon as they start work for you. This IR330 explains how to work out the correct tax code. The amount of PAYE you deduct depends on this tax code. Inland Revenue will send you a copy of the tax tables so you can work out the amount of PAYE to deduct for each tax code.

If the net pay is to be the same every pay period, you can obtain an automatic payment authority from your organisation's bank and make a direct credit into the employee's account.

Monthly PAYE reconciliation

Each month, Inland Revenue requires you to fill out an employer monthly schedule (IR348), which they will automatically forward to you, together with the pay-in slip (IR345), when you register as an employer. On the schedule, you need to enter monthly gross earnings, PAYE deductions and student loan and child support deductions for all your employees. This information, along with a cheque covering the monthly PAYE deductions, must reach Inland Revenue before the 20th of each month.

Alternatively, employers can file their employer monthly schedule (IR348) electronically, which is a fast and efficient way of doing things. For more information, see Inland Revenue's quick reference two-page summary sheet Ir-File – electronic filing for employers (IR317). This is available from Inland Revenue's website: <http://www.ird.govt.nz>, or by calling their INFOexpress line on free phone 0800 2570 773.

If your PAYE deductions are more than \$500,000 a year, you are considered to be a 'large employer' and must pay your PAYE deductions twice a month. You must also file your IR348 electronically. If this applies to you, contact Inland Revenue for more information.

Tip: Remember there is a \$250 (plus interest) fee for late filing of PAYE returns. Even if you have a nil monthly schedule, you still need to file it on time (i.e. by the 20th of the month following wage payment).

Student loan and child support deductions

As well as deducting PAYE, you may need to make deductions for student loans and/or child support, depending on your employees' circumstances. Some of your employees may need to make repayments to Inland Revenue for a student loan. They will use a student loan tax code on their tax code declaration (IR330) form. The PAYE deduction tables also show the amount of student loan repayment to deduct as well as the amount of PAYE, based on your employees' tax code.

Tip: If you are required to make child support deductions for an employee, Inland Revenue Child Support will send you a child support deduction notice telling you how much to deduct. Visit: <http://www.ird.govt.nz/childsupport/> for more details.

Fringe benefit tax (FBT)

Fringe benefit tax is payable on any fringe (i.e. non-cash) benefits provided by the employer to the employee e.g. motor vehicles, low-interest loans, etc.

Charitable organisations that are exempt from paying income tax may also be exempt from paying FBT on any benefits provided to employees while they are carrying out the organisation's charitable activities. For example, if an employee has the use of a car while carrying out charitable work for the organisation, any private benefit arising is not subject to FBT. However, if the organisation provides a car as part of a salary package or for use with its business activities, FBT must be charged on any private benefit.

Tip: You may also be eligible for other exemptions from paying FBT. Refer to the publication *IR255 Charitable organisations: a tax guide for charities, donee organisations and other groups* which can be obtained from Inland Revenue's website – <http://www.ird.govt.nz>.

KiwiSaver

KiwiSaver is a voluntary, work-based savings initiative to help individuals save for their retirement. As an employer, you will play an important role in helping your employees save with KiwiSaver. KiwiSaver has been designed to use your existing payroll process and minimise any extra work for you.

Your main roles in KiwiSaver are to:

- check whether new employees are eligible to join KiwiSaver
- check whether new employees should be automatically enrolled
- give the KiwiSaver employee information pack (KS3) to:
 - new employees who qualify for automatic enrolment, and
 - existing employees who want to opt in
- automatically enrol all new employees who are eligible
- provide information to IRD about:
 - all new employees who are automatically enrolled, and
 - eligible employees who have opted in to KiwiSaver
- provide new employees with a written statement if you have an employer-chosen scheme, and also that scheme's investment statement
- deduct KiwiSaver contributions and make compulsory employer contributions (from 1 April 2008) at the correct rate and forward them to IRD by the due date along with your PAYE payments
- act on opt-out and contributions holiday requests
- stop or start deductions when IRD advises you to
- contact IRD when you require more KiwiSaver employee information packs (KS3).

Tip: For further information, visit: <http://www.kiwisaver.govt.nz/> .

Payroll giving

Payroll giving is a scheme that gives employees the opportunity to donate to an approved donee organisation direct from their pay and receive an immediate tax credit for payroll donations. If you're an employer and file your IR348 and IR345 electronically using ir-File, you can choose to offer payroll giving to your employees. You'll need to:

- deduct the requested donation amount from the individual employee's salary or wage
- calculate the correct tax credits for payroll donations for each donation made
- record the tax credits for payroll donations for individual employees on the employer monthly schedule (IR348)
- keep records of all tax credits for payroll donations, donation amounts, donee organisations and payment dates
- pass the donations to the chosen donee organisations within the specified timeframe of the deduction being made from the employee's salary or wage
- advise the donee organisation the donation is a result of payroll giving.

Tip: For further information, including the list of approved donee organisations, visit: <http://www.ird.govt.nz/> .

Goods and services tax (GST)

GST is a tax on consumption of most goods and services in New Zealand. GST is currently charged at 15 per cent of the value of the goods or services provided. It is a separate tax from income tax.

Taxable activities

A taxable activity is any activity carried on continuously or regularly by a business, trade, manufacturer, professional person, association or club. It includes any activity that supplies, or intends to supply, goods and services to someone else for a consideration (e.g. money, compensation, reward), but not necessarily for profit.

Taxable activities do **not** include:

- working for salary or wages
- being a company director
- making exempt supplies (e.g. renting out property as a private dwelling, interest you receive, the sale of donated goods and services by a non-profit body, financial services).

Who must register?

If an organisation's annual income for taxable activities was over \$60,000 for the past 12 months or expects to be in the next 12 months, it must register for GST. If your income is less than \$60,000, you can choose to register. For some voluntary organisations being registered will be an advantage because you will be able to claim back the GST you have paid on goods and services the organisation has used. However, you should remember that if you decide to cancel your registration, you will have to pay GST on the assessed value of your assets at the time of cancellation.

Registering for GST

You can register for GST by completing a GST Registration (IR360) form and returning it to Inland Revenue. GST registration can be done online through Inland Revenue's website – <http://www.ird.govt.nz> .

Inland Revenue will then send you notification of your registration which will show your:

- registration number (which is usually the same as your IRD number)
- date of registration
- taxable period (one, two or six months), your accounting basis and the date your first GST return is due.

Tip: Make sure that your GST periods are in line with your year-end balance date e.g. if you have a June balance date, ensure that one of your GST periods ends in June.

GST obligations

It is very important that you are aware of what you need to do as a GST-registered organisation – there are hefty penalties if you don't comply with the regulations. In general, all organisations registered for GST must:

- charge and collect GST on behalf of the Government
- file GST returns.

Checklist of GST obligations

Organisations registered for GST should note that:

- Goods and services supplied must have GST added to them and be on a GST tax invoice.
- Assets sold must have GST added.

- To claim back the GST you have paid on goods and services, a GST tax invoice must be obtained for all amounts over \$50. However there are some payments that you do not generally pay GST on e.g. wages and PAYE; bank charges and interest; koha and donations (where the donor receives no service or otherwise gets no benefit); money received from the sale of donated goods, etc.
- You must give tax invoices to GST-registered persons/organisations within 28 days.
- A GST tax invoice is a legal document and must meet certain requirements (see the sample earlier in this section)
- GST returns must be filed every one, two or six months (known as your taxable period). You can choose the taxable period that best suits your organisation. When making your selection look at how much time it takes to prepare and also the timing of when you receive GST income and when you pay GST payments.
- You must select which basis you will be using to account for GST. You have the choice of:
 - invoice (or accruals) basis – you claim GST when you receive an invoice and account for GST when you receive an invoice or receive a payment, whichever comes first
 - payments (or cash) basis – where you account for GST when you pay or receive money
 - hybrid basis – a combination of the invoice and payments methods.
- All GST records and documents must be kept for seven years.
- Every GST-registered organisation is open to being audited by Inland Revenue.

Completing your GST return

During the final week of your selected taxable period (one-, two- or six-months), Inland Revenue will automatically send you a GST Return (GST101) form for you to complete and send back to them by the due date on the form.

Some useful basic tips on calculating GST are:

- to calculate the GST on a GST-exclusive amount – multiply by 15 per cent
- if you have the GST-inclusive amount and want the GST amount – multiply by 3 and divide by 23
- if you have the GST amount and want the GST-inclusive amount – multiply by 23 and divide by 3)
- If you have the GST-inclusive amount and you want the GST-exclusive amount – multiply by 3 and divide by 23, then deduct this amount from the GST-inclusive amount)

Keep in mind that you must still send your GST return to Inland Revenue even if it's a nil one (i.e. there is no refund owing or tax to pay) otherwise Inland Revenue will produce a default assessment based on previous returns and charge you accordingly.

Tip: To find out details on how to calculate your GST (in order to complete your GST return) and how to pay GST or receive a GST refund, visit: <http://www.ird.govt.nz/gst/> or refer to the *Completing your GST return* section of Inland Revenue's booklet *GST Guide* (IR375). Alternatively you can contact Inland Revenue's business tax information service on free phone 0800 377 774.

Accident Compensation Corporation (ACC)

ACC employers' levy

Employers are required to pay ACC to cover work-related accidents on behalf of their employees. The levy is based on the organisation's gross wages paid multiplied by the industry rate. If you are an employer and have not received an invoice from the ACC, you will need to contact ACC directly.

Tip: Ensure you check the gross wages used by the ACC in their calculations and remember there is GST charged on all ACC employers' levies.

ACC earners' levy

In addition to ACC employers' levies, all employees must pay an ACC earners' levy to cover the cost of non-work-related injuries. Inland Revenue collects this on behalf of the Accident Compensation Corporation.

For employees, this levy has been built into the PAYE tables and is deducted along with their PAYE. This means that no extra calculations are needed for it in each pay period.

Tip: For further information on ACC earners' levy, visit: <http://www.acc.co.nz> or contact ACC on free phone 0800 222 776. You can also contact Inland Revenue's Employer Enquiries on free phone 0800 377 772 or refer to their website – <http://www.ird.govt.nz>.

Where to go for more information

Online resources

1. **NZ Institute of Chartered Accountants – Not-for-profit sector** – http://www.nzica.com/AM/Template.cfm?Section=Not_for_Profit_Sector. Information on financial management, financial reporting, auditing and other matters. Also see their *NFP Financial Reporting Guide* – http://www.nzica.com/AM/Template.cfm?Section=Not_for_Profit_Financial_Reporting_Guide_and_Disclosure_Checklist&Template=/CM/HTMLDisplay.cfm&ContentID=11178.
2. **Keeping it Legal – E Ai Ki Te Ture** – <http://keepingitlegal.net.nz/learn-more/>. Legal and taxation information.
3. **CommunityNet Aotearoa Finance How-to Guide** – <http://www.community.net.nz/how-toguides/finance/>. Resources and information on financial management and preparing budgets.
4. **SPARC's Club Kit – Financial management** – <http://www.sparc.org.nz/en-nz/communities-and-clubs/Toolkit-for-Clubs/Running-your-Club/Financial-management/>. Information on the financial processes a club needs to run successfully.
5. **Hutt City Council's Good Practice Guidelines** – <http://www.huttcity.govt.nz/Council-Services/Community-Development/Good-Practice-Guidelines/>. See Section 7: Managing the money.
6. **Business Plan Guidelines for Not-For-Profit Organisations** – Canterbury Not-For-Profit Forum – <http://groups.google.com/group/cantyforum/web/business-planning-for-not-for-profit-organisations>. A business planning guide with information and samples. The forum website also has other financial templates.

7. **Inland Revenue Department** – <http://www.ird.govt.nz/non-profit/> . Information non-profit organisations' tax responsibilities and obligations.
8. **Societies and Trusts Online** – <http://www.societies.govt.nz/> . Information about Incorporated Societies and Charitable Trusts and their financial requirements.
9. **Charities Commission** – <http://www.charities.govt.nz> .
10. **ACC** – <http://www.acc.co.nz> . Further information on ACC levies.
11. **KiwiSaver** – <http://www.kiwisaver.govt.nz/> . Further information on the KiwiSaver savings initiative.
12. **Companies Office** – <http://www.business.govt.nz/companies/> . Information on company annual returns and financial reporting requirements.
13. **Financial Help Sheets and Resources** – Our Community (AUS) – http://www.ourcommunity.com.au/financial/financial_article.jsp?articleId=2205 . Resources to help community groups manage their finances.
14. **Free Management Library's Basic Guide to Non-Profit Financial Management (US)** – http://managementhelp.org/finance/np_fnce/np_fnce.htm#anchor1317862 . Covers the basics of financial management, and how to build the basic systems and practices needed in a healthy organisation.
15. **Sorted – Budgeting** – <http://www.sorted.org.nz/home/sorted-sections/budgeting> . Information on budgeting, with helpful online calculators.

Other resources

1. **Inland Revenue** has a number of useful guides on tax and financial matters. A few of the more useful ones on tax and financial matters include:
 - Charitable organisations: a tax guide for charities, donee organisations and other groups (IR255)
 - First-time employer's guide: information you'll need if you're thinking of taking on staff for the first time (IR333)
 - Employer's guide: information to help fulfill your responsibilities as an employer (IR335)
 - GST guide: working with GST (IR375)
 - GST – do you need to register? (IR365)
 - Ir-File – electronic filing for employers (IR317)
 - Smart business: A guide for businesses and non-profit organisations (IR320).
2. **North Shore Community and Social Services' Community Resources:**
 - *The Treasurer's Resource Manual* – covers the Treasurer's Role, Financial Record-keeping, Budgets, Legal Responsibilities and also has an extensive glossary.
 - *Being a Good Employer* – provides useful information on the legal requirements and expectations of employers and employees.